

CITY OF CHELAN
Chelan County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. Internal Controls Over Cash Receipts At The Lake Chelan Golf Course Should Be Improved

During our audit of the Lake Chelan Golf Course, we noted the following internal control weaknesses in the cash receipting system:

- a. Access to the cash drawer is not restricted. Since several cashiers operate the same cash drawer, accountability for funds cannot be fixed.
- b. Cash, check, and charge composition per the receipts was not reconciled to the deposit. This reconciliation is essential to safeguarding collections. Our composition testing revealed cash differences which may be the result of cashing checks, payments to the golf pros for golf lessons, or theft.
- c. A separate fund was not established for cashing checks nor were the transactions recorded. Cashing checks distorts the composition of the deposit.
- d. All funds collected from golf lessons were not deposited. A formal policy on golf lessons does not exist between the city and golf pros. Golf pros are allowed to use the golf course for free. We were told that the city receives 50 percent of golf lesson revenue, if golf lessons are provided during the golf pros' work hours. We were told that the city receives only 15 percent of golf lesson revenue, if golf lessons are provided during the golf pros' off hours. A record of when golf lessons were provided does not exist. The golf pros determined their percentage of golf lesson revenue and then removed this amount from the cash drawer. This practice distorts the composition of the deposit.
- e. Rainchecks were not controlled or approved. Rainchecks were issued on the back of business cards.
- f. Gift certificates issued were not reconciled to deposits. All copies of voided gift certificates were not maintained and the carbon copy was blank for many gift certificates issued. Rediform gift certificates were issued when the golf course ran out of its two-part, preprinted, and prenumbered gift certificates.
- g. The control account for accounts receivable was not utilized. While the computer system has the capability, the control account for accounts receivable was not printed. In addition, reconciliations independent of the receipting and posting functions were not performed.
- h. A policy does not govern the collection of accounts receivable or the assessment

of interest on outstanding balances.

These weaknesses increase the risk that errors and/or theft may occur and not be detected in a timely manner, if at all. During 1995, the Lake Chelan Golf Course generated approximately \$900,000.

We recommend that internal controls over the cash receipting system at the golf course be improved in the following ways:

- a. Restrict access to the cash register. Each cashier should have their own cash drawer.
- b. Reconcile composition of the receipts and deposit.
- c. Establish a separate fund for cashing checks or record those transactions.
- d. Adopt a policy governing golf lessons and deposit all funds received.
- e. Control and approve rainchecks with preprinted and prenumbered forms.
- f. Reconcile gift certificates issued to deposits. Only issue preprinted, prenumbered gift certificates. Maintain all copies of voided gift certificates and ensure that the carbon is complete for gift certificates issued.
- g. Utilize the accounts receivable control account and periodically perform independent reconciliations.
- h. Adopt a policy governing the collection of accounts receivable and the assessment of interest on outstanding balances.